No. ___

IN THE

Supreme Court of the United States

OCTOBER TERM, 1986

VINCENTE B. CHUIDIAN,

Petitioner,

vs.

PHILIPPINE EXPORT AND FOREIGN LOAN GUARANTEE CORPORATION,

Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE SUPREME COURT OF THE STATE OF CALIFORNIA

LEE S. HARRIS, Esq.
CARTWRIGHT, SLOBODIN, BOKELMAN,
BOROWSKY, WARTNICK, MOORE & HARRIS, INC.
101 California Street, 26th Floor
San Francisco, California 94111
Telephone: (415) 433-0440

Attorneys for Petitioner

Prof. JACK I. GARVEY
2130 Fulton Street
San Francisco, California 94117
Telephone: (415) 666-6158

Of Counsel

PRESS OF BYRON S. ADAMS, WASHINGTON, D.C. (202) 347-8203

QUESTIONS PRESENTED

I. IS THE ACT OF STATE DOCTRINE AVOIDED BECAUSE A FOREIGN GOVERNMENT SEEKS TO ADJUDICATE THE OFFICIAL ACTS OF A PREDECESSOR REGIME, TO REPUDIATE THE FOREIGN DEBT OF THAT REGIME?

II. DOES THE ACT OF STATE DOCTRINE ALLOW A COURT TO REQUEST ADVICE FROM THE DEPARTMENT OF STATE TO DETERMINE WHETHER TO APPLY THE DOCTRINE?[1/]

1/ The parties to the proceeding below were Vicente B. Chuidian, Judgment Creditor and Petitioner, and Philippine Export and Foreign Loan Guarantee Corporation, movant in the California Superior Court and real party in interest in all petitions for writs in the California Court of Appeal and the California Supreme Court.

TABLE OF CONTENTS

TABLE OF AUTHORITIES

PAGE

SUPREME COURT CASES

UNITED STATES DISTRICT CASES

STATUTES

MISCELLANEOUS

PETITION FOR A WRIT

OF CERTIORARI

TO THE SUPREME COURT OF

THE STATE OF CALIFORNIA

TO: THE HONORABLE CHIEF JUSTICE AND ASSOCIATE JUSTICES OF THE SUPREME COURT OF THE UNITED STATES:

The petitioner Vicente B. Chuidian respectfully prays that a writ of certiorari issue to review the judgment of the Supreme Court of California entered in this proceeding on November 12, 1986.

JUDGMENTS BELOW

The decisions of the California Supreme Court and California Court of Appeals refusing to apply the act of state doctrine, were in the form of summary denials of a petition for writ of prohibition and/or mandate and/or certiorari. (Appendix A-2, A-3 and A-4 hereto). The opinion of the trial court refusing to apply the act of state doctrine and setting a motion to vacate for evidentiary hearing appears in the form of the transcript of the hearing of June 17, 1986, Appendix A-1 hereto).

JURISDICTION

The judgment of the California Court of Appeal denying Vicente Chuidian's petition for writ of prohibition and/or mandate and/or certiorari was entered on September 18 and 19, 1986. This judgment dissolved a stay granted petitioner by the same Court of Appeal, after the trial

court ruled on June 17, 1986, that the act of state doctrine did not preclude the trial court from hearing the motion to vacate of respondent Philguarantee Export and Foreign Loan Corporation (Philguarantee). The Supreme Court of California denied Vicente Chuidian's petition for review of the denial of the stay on November 12, 1986.

The jurisdiction of this court is invoked under 28 U.S.C. sec. 1257(3).

PROVISIONS OF LAW INVOLVED

The Federal Commmon Law Act of State Doctrine

"The act of state doctrine in its traditional formulation precludes the courts of this country from inquiring into the validity of the public acts a recognized foreign sovereign power committed within its own territory." Banco Nacional de Cuba v. Sabbatino, 376 U.S. 398, at 401 (1964).

STATEMENT OF THE CASE

A. STATEMENT OF FACTS

Petitioner, Vicente B. Chuidian, was founder of Dynetics, Inc. which was to become one of the largest and most prestigious independent semiconductor manufacturers in the Philippines and the world. In 1981, with the loan of monies guaranteed by the Philippine government through its agency, Philguarantee, petitioner initiated a corporate plan of vertical expansion, which involved establishing marketing and supply facilities the United States.

The success of petitioner's company attracted the interest of the Marcos government, which in characteristic fashion, moved to take over petitioner's business. This included calling a default on the loan guarantee on the pretext that some of the loan monies had been invested outside the Philippines. In May, 1985,

the Philippine government seized control of Dynetics and its affiliates in the Philippines, approved the establishment of a new marketing arm in the United States, effectively destroying the business of petitioner's U.S. companies, and then filed this suit against petitioner, his U.S. Companies and the ex-President of Philguarantee.

At about the same time, petitioner filed suit against a number of Philguarantee officials and others responsible for unlawfully seizing Dynetics and destroying his U.S. businesses. This suit sought substantial damages in the hundreds of millions of dollars.

Faced with embarassing discovery and litigation in the U.S. Courts, and the likelihood of a huge adverse verdict, the Marcos government decided to settle both actions.

The settlement agreement with Philguarantee turned over control of Dynetics and its former U.S. marketing arm to Philguarantee, required covenants on the part of petitioner and provided for payment of compensation to him over a five year term. The agreement, as officially authorized by the Marcos government of the Philippines, was filed as a stipulated judgment in this action on December 17, 1985. Petitioner turned over his stock and the Marcos government began payment.

Acting under orders of the "Good Government Commission" of the new "Aquino government" of the Philippines, Philguarantee, on May 20, 1986, moved to vacate the stipulated judgment on the grounds that it resulted from "fraud" and "duress" exercised by petitioner Vicente Chuidian, through the threatened disclosure in the litigation of matters

politically embarassing to President Marcos.

B. HOW FEDERAL QUESTION IS PRESENTED

The trial court invited and received briefs from the parties addressing the question whether the federal act of state doctrine bars evidentiary hearing of the motion to vacate. It then ruled, on June 17, 1986, that the act of state doctrine does not bar an evidentiary hearing to examine the claim that the Philippine government entered the stipulated judgment because of the fear of political embarassment. The trial judge declared:

> "I HAVE REVIEWED YOUR ARGUMENTS WITH REGARD TO THE ACT OF STATE DOCTRINE AND TO THE EXTENT IT MIGHT PRECLUDE THE COURT INQUIRING INTO THE UNDERLYING FACTS THAT GAVE RISE TO THE STIPULATION."
>
> * * *
>
> "I DON'T BELIEVE THE ACT OF STATE DOCTRINE PRECLUDES THE COURT FROM CONSIDERING THOSE ISSUES IN AS MUCH AS THE PHILIPPINE GOVERNMENT AT THIS TIME IS CONSENTING TO THAT AND ACTUALLY REQUESTING THIS COURT TO VOID, IN

EFFECT, THE ACT OF THE PRIOR ADMINISTRATION."

Thereupon, the Trial Court set the motion to vacate for evidentiary hearing, which motion has been deferred pending further extensive discovery.

On August 6, 1986, petitioner sought from the California Court of Appeal, exclusively on the ground of the federal act of state doctrine, a stay of discovery proceedings and an extraordinary writ prohibiting a hearing on the motion to vacate. On the basis of this petition the Court of Appeal stayed proceedings on the motion to vacate on August 12, 1986, and asked for briefing on the act of state question raised by the petition.

Immediately thereafter, on August 13, 1986, the California Court of Appeal wrote to the United States Attorney General requesting foreign policy advice from the Executive Branch to determine whether to

apply the act of state doctrine. The Court of Appeal specifically asked:

> "To aid its determination as to the present applicability of the (act of state) doctrine, the court requests the United States government's position concerning the effect, if any, that inquiry into the circumstances surrounding the Chuidian-PEFLGC settlement agreement and stipulated judgment may have on its foreign relations and ability to conduct its foreign policy." (Appendix B hereto).

On September 18 and 19, 1986, after briefing of the question of application of the doctrine of act of state, but without disclosure of any response from the Executive Branch, the Court of Appeal dissolved the stay and summarily denied the petition for extraordinary writs. (Appendix, A-2 and A -3 hereto) On September 29, 1986, also on the sole ground of the federal act of state doctrine, a petition for review was filed with the Supreme Court of California.

That petition was summarily denied on November 12, 1986. (Appendix A-4 hereto.)

REASONS FOR GRANTING THE WRIT

I.

THE ACT OF STATE DOCTRINE SHOULD BAR ADJUDICATION OF THE MOTIVATION OF OFFICIAL ACTS OF THE MARCOS GOVERNMENT.

By ordering the evidentiary hearing, the California courts have ordered the adjudication of acts of state. The debt at issue in the proceedings below was created by official and public authorization of Philguarantee, as agency of the Philippine government, acting pursuant to official, formal and public instruction by the President of the Philippines.2/ It is the central theme of

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2/ Philguarantee was created by Presidential decree for the primary purpose of guaranteeing foreign loans granted to Philippine corporations to promote goals deemed to be in the Philippine national interest. (Presidential Decree No. 550, Exhibit

Philguarantee's complaint below that all appropriate officers and institutions of the Philippine government, for political reasons, knowingly participated in the negotiation of the settlement agreement. The evidentiary hearing ordered by the

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3 to Petition for Review in the California Supreme Court) The President of the Philippines in a official memorandum to this state agency (Exhibit 26G to Petition for Review in the California Supreme Court) outlined the parameters of the settlement agreement. That official agency, on November 22, 1985, by formal resolution recorded in its official minutes, authorized the settlement agreement; the agreement pursuant to this official authorization, was then executed by an authorized agent for Philguarantee. (Exhibit 26A to the Petition for Review in the California Supreme Court). The action of the President of the Philippines, in directing Philgurantee to enter into the settlement agreement, was officially, formally and publicly pursuant to his powers as President, and was specifically authorized by the law of the Philippines (Exhibit 21 to Petition for Review in the California Supreme Court).

California courts is directed solely at the question whether the President of the Philippines and Philguarantee undertook these acts of state in order to avoid political embarassment to the President of the Philippines.

The California courts have ruled in this case contrary to the federal cases. Following the application of the doctrine of act of state to bar the expropriation by a foreign state of property located in its territory in Banco Nacional de Cuba v. Sabbatino, 376 U.S. 398 (1964), this Court has not had occasion to apply the act of state doctrine to a case not involving the taking of property, though it previously did so in Underhill v. Hernandez, 168 U.S. 250 (1897). However, the federal courts have often held, following the rationale of Sabbatino, that examination of the motivation of a foreign sovereign is barred by the act of state doctrine. When

the causal chain between the defendant's alleged conduct and the impact of the official act on the plaintiff cannot be determined without inquiry into the motives of a foreign sovereign, the act of state doctrine is generally applied and the claim dismissed. See, e.g., DeRoburt v. Gannet Co., Inc., 733 F.2d 701 (9th Cir. 1984) cert. denied, 469 U.S. 1159 (1985); Clayco v. Occidental Petroleum, 712 F.2d 404 (9th Cir. 1983); International Association of Machinists and Aerospace Workers. v. OPEC, 696 F.2d 1354, 1358 (9th Cir. 1981) cert. denied, 454 U.S. 1163 (1983); Occidental of Umm al Qaywayn, Inc. v. A Certain Cargo of Petroleum, 577 F.2d 1196 (5th Cir. 1978) cert. denied, 442 U.S. 928 (1979); Occidental Petroleum Corp. v. Buttes Gas & Oil Co., 331 F.Supp. 92 (C.D. Cal. 1971), aff'd per curiam, 461 F.2d 1261 (9th Cir.) cert. denied, 409 U.S. 952 (1972). This

has been the result even where a foreign state or state agency is not named as a party. See, e.g., Hunt v. Mobil Oil Corp., 550 F.2d 68 (2d Cir. 1977), cert. denied, 434 U.S. 984 (1978).

Some cases, though, assert that the act of state doctrine does not apply where private motivations pertain. See, e.g., Jiminez v. Aristeguieta, 311 F.2d 547, 557-58 (5th Cir. 1962), cert. denied sub nom., 373 U.S. 914 (1963); Dominicus Americana Bohio v. Gulf & Western Industries, Inc., 473 F. Supp. 680, 689 (S.D.N.Y. 1979). Primary reliance was placed on these cases in the opposition to petitioner's motion for a stay below.3/

3/ See, e.g., "Answer to Petition for Review in the Supreme Court of California", pp. 19-20, and "Opposition to Petition for Extraordinary Writs in the Court of Appeal of California, Sixth Appellate District", pp. 16-17.

(Petitioner argued these cases are all inapplicable, because it is undisputed in record below, the Government of President Marcos, in authorizing the settlement agreement and stipulated judgment, acted publicly, and officially, employing all appropriate official procedures. See Fn.2, supra.

This Court has not directly addressed the pervasive and critical problem of defining when, if at all, the private interests of third parties or personal interests of foreign government officials may render the actions of officials not official acts of state, nor how that determination is to be made. Various approaches to defining an "act of state" have been tried by the federal courts.4/ However there has been no clarification of

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4/ Categorizations have included an exception to the act of state doctrine

the bearing of private motivation, and there is a high degree of inconsistency in the cases which consider this factor. Thus, for example, in Hunt v. Mobil Oil Corp., supra, it was held that the act of state doctrine barred judicial examination of an alleged private conspiracy of oil companies to cause the government of Libya to nationalize Hunt's Libyan interests; yet in Industrial Development Corp. v. Mitsui & Co., Ltd., 594 F.2d 48 (5th Cir. 1979), cert. denied 445 U.S. 903 (1980), the court held that the act of state

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for "ministerial" acts, Mannington Mills, Inc. v. Congoleum, Inc., 595 F.2d 1287, 1293-94 (3d Cir. 1979), application of the doctrine to bar judicial examination of sovereign decision-making processes, Hunt v. Mobil Oil Corp., 550 F.2d 68, 75-79 (2d Cir. 1977), cert. denied, 434 U.S. 984, and application of the doctrine to bar examination of government regulation of commerce within its own jurisdiction, Interamerican Refining Corp. v. Texaca Maracaibo, Inc., 307 F.Supp. 1291, 1298-99 (D.Del. 1970).

doctrine did not prevent examination of alleged wrongful procurement by private parties of government interference in marketing efforts. Moreover, the "commercial act" vs. "public act" distinction of Alfred Dunhill of London, Inc. v. Republic of Cuba, 425 U.S. 682 (1976) is of no assistance in elucidating the problem, since personal motivation can be involved in either commercial or public activity; as it is alleged here that the official governmental authorizations of the settlement agreement were the result of Marcos' personal political motivations.

The problem inevitably recurs, especially when there is a change in foreign government; but the conflict and fundamental uncertainty in the case law persists. The petition should be granted so that this omnipresent question of the relevance of personal interests to act of state analysis can be resolved.

II.

CONSENT OF THE FOREIGN GOVERNMENT TO SUIT IN THE UNITED STATES SHOULD NOT BE ALLOWED TO ABROGATE THE ACT OF STATE DOCTRINE, WHERE ALLEGATIONS OF CORRUPT MOTIVATION OF A PREDECESSOR REGIME ARE BEING ASSERTED TO UNDERMINE FOREIGN DEBT

As declared in Sabbatino, the act of state doctrine is not "compelled by the inherent nature of sovereign authority . . . or by some principle of international law.[5/] The sole rationale for the doctrine in United States jurisprudence is that it "arises out of the basic relationships between branches of government in a system of separation of powers." Id. at 423. Since the doctrine is in no sense based in any right of the foreign state, but has such "constitutional underpinnings", Id., the consent of the foreign state to

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5/ 376 U.S. at 398, 421.

adjudication in the United States is irrelevant to the analysis, and the act of state doctrine has been held to apply in cases where the foreign sovereign has consented to adjudication. See, e.g., DeRoburt v. Gannett Co., Inc. supra; Banco de Espana v. Federal Reserve Bank of New York, 114 F.2d 438 (2d Cir. 1940). Accordingly, the Restatement of Foreign Relations Law declares as its leading proposition under the rubric, "Consent of foreign state to judicial scrutiny":

> SINCE THE ACT OF STATE DOCTRINE IS A JUDICIAL POLICY OF RESTRAINT, APPLICATION OF THE DOCTRINE CANNOT BE "WAIVED" BY THE FOREIGN STATE." Restatement of the Law, Foreign Relations Law of the United States, (Tentative Draft No. 7, Ch. 6., Sec. 469(e), p. 56).

The cases have applied the act of state doctrine where the claims to be examined are being made against a predecessor regime, so long as the acts at issue, when done, were official acts of

state. Thus, in Banco de Espana v. Federal Reserve Bank of New York, supra, it was held that the act of state doctrine barred suit against former officials of a deposed Spanish government for having diverted silver by means of illegal secret decrees, so long as they acted in official capacities. Also in Hatch v. Baez, 7 Hun. 596 (N.Y.Sup.Ct. 1876), it was held an action could not be brought against the former president of the Dominican Republic for acts done in his official capacity when he was President. The irrelevance of a change in government is also demonstrated in the case embodying this Court's classic statement of the act of state doctrine, Underhill v. Hernandez, supra.

The trial Court below held to the contrary, that consent of the foreign state to adjudication is dispositive. It stated as its reason for setting the

hearing concerning the political motivation of the Philippine government, that the act of state doctrine would not be violated by an evidentiary hearing, precisely because the present government of the Philippines seeks and consents to a factual determination concerning the motivation of its predecessor regime. See, p.9 , supra, and Appendix B.

Though the ruling of the trial court, now affirmed by the Supreme Court of California, certainly contravenes federal case law, it nevertheless provokes the basic question specifically left unresolved by Justice Harlan's opinion in Sabbatino, where he observed,

> "The balance of relevant considerations may also be shifted if the government which perpetrated the challenged act of state is no longer in existence, as in the Bernstein case, for the political interest of this country may, as a result, be measurably altered."[6]

This statement was indeed relied upon

below by Philguarantee in opposing the motion for a stay, both before the California Court of Appeals and the California Supreme Court.[7]

This case, however, presents a radical distinction from Justice Harlan's Bernstein reference, a distinction with enormous implications for the problem of third world debt. In Sabbatino, this court expressed the so-called "consensus theory" under which domestic courts may not adjudicate the legitimacy of foreign acts of state unless they violate international norms upon which there is international consensus.[8] Accordingly

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6/ 376 U.S. at 428.

7/ "Answer to Petition for Review" in the California Supreme Court p. 18. "Opposition to Petition for Extraordinary Writs" in the Court of Appeal of the State of California, Sixth Apellate District, p. 14.

Justice Harlan noted that a case such as Bernstein, challenging the validity of acts of confiscation performed by the government of Nazi Germany, acts contrary to the most compelling and universally acknowledged international norms, demonstrates when "the balance of relevant considerations may . . . be shifted" against insulation from examination by a United States Court. The present case does not involve alleged violations of international law. More importantly, the United States cannot wipe the slate clean with respect to its relations with the Philippines, as was required in the case of Nazi Germany. The debt being

8/ 376 U.S. at 428. The theory was apparently derived from the article cited at footnote 22 of the Sabbatino opinion, Falk, "Toward a Theory of the Participation of Domestic Courts in the International Legal Order: A Critique of Banco Nacional de Cuba v. Sabbatino," 16 Rutgers L. Rev. 1 (1961).

repudiated was undertaken by a foreign regime that was an important ally of the United States for more than 20 years. The Marcos government was an ally with which the United States developed an immense body of important commercial and strategic relationships, relationships presently extant and vital.

The failure to apply the act of state doctrine here, because the successor regime is seeking adjudication by United States courts, invites wholesale repudiation of foreign debt undertaken by the Marcos government. The fact that the present government of the foreign state consents to adjudication in the United States does not eliminate the problem, but rather demonstrates and heightens it. For it is when governments are replaced that the most serious challenge to the security of international debt arises.

Philguarantee's claim that a

settlement agreement and letter of credit is invalid because it was infected by the personal political interest of President Marcos, is easily transferred to virtually any debt obligation undertaken by the Marcos government during the more than twenty years of Marcos rule. It is now public knowledge that Marcos' personal political motivations were involved in virtually every financial transaction of any significance, and the debt here at issue was undertaken through official procedures in no respect materially different from the procedures of any official undertaking of the government of the Philippines.

This case is the opening salvo on the significant body of foreign debt owed by the Philippines. If the act of state doctrine is not applied here, this entire body of obligations, now widely relied upon, becomes subject to attack in the

courts of the United States on the ground that personal political motivations of Marcos were involved. The failure to apply the act of state doctrine in this well-publicized case[9/] will stand as precedent for similar devastating impact on the obligations of governments of other nations owing substantial sums to United States interests.

In the context of recognition of foreign goverments, this court has firmly identified and supported the public policy here at issue. It stated in Guarantee Trust Co. v. United States, 304 U.S. 126 (1938), at 140-141:

> "If those transactions, valid when entered into, were to be disregarded after the later recognition of a successor government, recognition would be but an idle ceremony, yield-

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9/ (See, e.g., Exhibit 4-F of Petition for Stay in Court of Appeal of the State of California, Sixth Appellate District).

> ing none of the advantages of established diplomatic relations in enabling business transactions to proceed, and affecting no protection to our own nationals in carrying them on."

The Second Circuit Court of Appeals has interpreted this statement, beyond the matter of recognition, as determinative in act of state analysis as well, citing it as the authority for its holding in Banco de Espana v. Federal Reserve Bank of New York, supra, that,

> "Persons who dealt with the former Spanish Government are entitled to rely on the finality and legality of that gvernment's acts, at least so far as concerns inquiry by the court of this country." Id. at 44.

The public policy interest in the security of international debt, requires articulation in act of state analysis by this Court. Justice Harlan explained in Sabbatino's particular context of expropriation that failure to apply the act of state doctrine "would be to render uncertain titles in foreign commerce, with

the possible consequence of altering the flow of international trade." 376 U.S. at 433. But the security of debt problem is far from resolved. The act of state doctrine should be applied in this case to make possible reliance on debt obligations of a foreign state or its agencies, without concern about claims of invalidity based on a foreign state's internal political intrigues.10/

The claim that the California courts below would adjudicate by evidentiary hearing, whether obligations of a foreign

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10/ Also in Alfred Dunhill of London, Inc. v. Cuba, 425 U.S. 682 (1976), this court recognized the centrality of the protection of international debt to act of state analysis. In Dunhill, though, the act of state doctrine was being asserted as a defence to payment of a commercial debt, not as the means to prevent repudiation as in the instant case. Also, in Dunhill this Court expressly found that official acts of state were not present. Id., at 698-99 Accordingly, it was held the doctrine of act of state was not a bar.

state can be vitiated by examination of the political motivations of foreign officials, raises the question of integrity of international debt in a most significant and dangerous contemporary manifestation. The ruling of this court is required to securely establish that the act of state doctrine prevents repudiation of foreign debt on political grounds by successor regimes.

III.

THE COURTS MUST NOT DEPEND ON PERMISSION OF THE EXECUTIVE BRANCH IN DETERMINING WHETHER TO APPLY THE ACT OF STATE DOCTRINE

The California Court of Appeals, to determine whether to apply the act of state doctrine, submitted on August 13 a request to the Department of State asking for the Executive Branch's position concerning the effect of adjudication on the foreign relations of the United States. (Appendix B hereto). The orders of the Court of Appeals denying

application of the act of state doctrine, were without statement of any reasons, leaving without disclosure any response from the Department of State. Whatever the response, however, the procedure employed violates the act of state doctrine.

It is apparent from Sabbatino and other cases, such as Dunhill, that the act of state doctrine, being concerned with the relation of the judicial function to the foreign relations prerogative of the Executive Branch, is a procedural as well as substantive principle articulating the separation of powers. It has been the rule, at least since the modern act of state doctrine was enunciated in Sabbatino, that the determination whether the doctrine applies is for the judiciary. While the Executive Branch has initiated occasional advice to the courts by way of the dubious "Bernstein exception" (See

infra, pp.32 and 33), there is no recognized precedent for the request for advice to be initiated by the Court itself.

Whatever the validity of the Bernstein exception, it should be clear that the procedure employed by the California Court of Appeals in this case, and validated by the order of the California Supreme Court, is fundamentally at odds with Sabbatino, and the rationale of the doctrine of act of state. The procedure is similar to the "reverse Bernstein" procedure that was rejected in Sabbatino, and should be rejected for the same reasons. At the evident urging of the Department of State, Sabbatino rejected the suggestion by the Bar of New York that the act of state doctrine should be applicable to violations of international law only "when the Executive Branch expressly stipulates that it does not wish the courts to pass

on the question of validity . . . .". 376 U.S. at 436. The reasons given were that the State Department would often prefer to avoid taking an official position, and that either the Court would be acting as the handmaiden of the Executive Branch or could embarass the Executive Branch. In either event, the values of separation of powers would be seriously compromised and undermined. The Executive Branch endorsed this view, and the Court reflected, "we should be slow to reject the representations of the Government that such a reversal of the Bernstein principle would work serious inroads on the maximum effectiveness of United States diplomacy". 376 U.S. at 398.

By initiating the involvement of the State Department the California Court of Appeal established a procedure significantly more destructive of the separation of powers rationale of the act

of state doctrine than either Bernstein or the proposed reverse Bernstein exception. The procedure employed here is more invidious, because it begins with a request by the Court for the advice of the Executive, thus requiring an abandonment of judicial independence at the very outset of the process. It also more certainly puts the Executive Branch on the spot, depriving the Executive Branch of any choice whether to involve itself in the act of state determination.

There is great need to clarify whether, and to what extent, Executive Branch advice may bear on the court's consideration of act of state questions, and whether the initiative for such advice may come from the courts, or exclusively from the Executive. Sabbatino voiced the serious problems created for the conduct of United States foreign policy when the Judicial and Executive Branches

communicate preliminary to a particular application of the act of state doctrine. However, in Sabbatino this court also expressly declined to rule on the so-called "Bernstein exception". 376 U.S. at 436. Though the matter of consultation of the judiciary with the Executive Branch was subsequently broached in First National City Bank v. Cuba, 406 U.S. 759 (1972), where a plurality disapproved the Bernstein exception, and was also addressed in Alfred Dunhill of London, Inc. v. Republic of Cuba, supra, there has not been a uniform instructive statement by this Court concerning either the weight or proper procedure to be accorded expressions of opinion by the Executive. Thus the California Court of Appeals knew no compunction about employing below, a procedure of solicitation of Executive Branch opinion wholly subversive of the rationale of the

act of state doctrine. The petition for certiorari should be granted because this is the appropriate case to articulate the crucial matter of the propriety and form of any instruction between the Judicial and Executive Branches in act of state cases.

CONCLUSION

For the reasons presented above, this Court should grant Vicente B. Chuidian's petition for writ of certiorari.

DATED: February 6th, 1987.

Respectfully submitted,

PROFESSOR JACK I. GARVEY

CARTWRIGHT, SLOBODIN, BOKELMAN, BOROWSKY, WARTNICK, MOORE & HARRIS INC.

By: _____
LEE S. HARRIS
Attorneys for Petitioner

APPENDIX

SUPERIOR COURT OF THE STATE OF CALIFORNIA

COUNTY OF SANTA CLARA

PHILIPPINE EXPERT AND FOREIGN LOAN GUARANTEE CORPORATION, Plaintiff, -vs- ASIAN RELIABILITY COMPANY, INC. Defendant.	NO.575867

REPORTER'S TRANSCRIPT OF PROCEEDINGS

BEFORE THE HONORABLE JACK KOMAR

JUDGE OF THE SUPERIOR COURT

JUNE 17, 1986

MOTION

A P P E A R A N C E S

FOR THE PLAINTIFF KEVIN GOODWIN, ESQ.
CHRISTINE SHERRY, ESQ.

FOR THE DEFENDANT STEVEN FINLEY, ESQ.
VICENTE CHIUDIAN JACK GARVEY, ESQ.

SAN JOSE, CALIFORNIA JUNE 17 1986

P R O C E E D I N G S

THE COURT: PHILIPPINE EXPORT AND FOREIGN LOAN GUARANTEE VERSUS ASIAN RELIABILITY COMPANY.

MR. GOODWIN: KEVIN GODWIN, G-O-O-D-W-I-N APPEARING FOR OPPOSING PARTIES -- PARTY, PHILIPPINE EXPORT.

MS. SHARRY: ALSO FOR PHIL GUARANTEE.

MR. FINLEY: STEVEN FINLEY APPEARING FOR THE MOVING PARTY, VINCENTE CHUIDIAN.

MR. GARVEY: JACK GARVEY FOR MOVING PARTY, VICENTE CHUIDIAN.

THE COURT: ALL RIGHT. COUNSEL, I HAVE REVIEWED THE ADDITIONAL MATERIALS THAT WERE SUBMITTED TO ME FOLLOWING OUR LAST HEARING IN THIS MATTER.

I INDICATED TO YOU ON THE RECORD LAST TIME THAT I FELT THAT THE CONDITIONS PRECEDENT TO THE OBIGATION OF PHIL GUARANTEE HAD OCCURRED AND THAT ON THAT

BASIS PHIL GUARANTEE WOULD BE ENTITLED TO A WRIT OF EXECUTION --

MR. FINLEY: MR. CHUIDIAN YOU MEAN.

THE COURT: MR. CHUIDIAN WOULD BE ENTITLED TO A WRIT OF EXECUTION AGAINST PHIL GUARANTEE.

I ALSO INDICATED TO YOU THAT THE ISSUE THAT I WAS CONCERNED ABOUT WAS WHETHER OR NOT THE COURT HAD ANY BASIS FOR DENYING A WRIT OF EXECUTION BECAUSE OF SOME ALLEGED FRAUD IN CONNECTION WITH THE STIPULATED JUDGMENT.

I'VE REVIEWED OUR MATERIALS. I HAVE REVIEWED YOUR ARGUMENTS WITH REGARD TO THE ACT OF STATE DOCTRINE AND TO THE EXTENT IT MIGHT PRECLUDE THE COURT INQUIRING INTO THE UNDERLYING FACTS THAT GAVE RISE TO THE STIPULATION.

MY SENSE OF IT IS THIS -- AND I'M PARTICULARLY CONCERNED THAT THE MOTION THAT WAS SCHEDULED FOR THIS MORNING WAS TAKEN OFF CALENDAR.

BECAUSE IT SEEMS TO ME THAT BASED UPON THE ALLEGATIONS THAT ARE BEING MADE AT THE -- SOME OF THE EVIDENCE THAT YOU HAVE PRESENTED THAT THERE MAY WELL BE SOME BASIS FOR YOU TO ASSERT THAT THE -- THAT THE STIPULATED JUDGMENT OUGHT TO BE SET ASIDE.

YOU -- YOU CERTAINLY CAN STATE A CAUSE OF ACTION AS IT WERE.

THAT CAUSE OF ACTION IS NOT COERCION, HOWEVER, AND HAS NOTHING TO DO WITH EXTRINSIC FRAUD.

IT SEEMS TO ME THAT WHAT YOU ARE ALLEGING IS FRAUD BETWEEN MR. CHUIDIAN AND PRESIDENT MARCOS TO COMPEL A GOVERNMENT CORPORATION TO ENTER INTO A SETTLEMENT BASICALLY TO GIVE AWAY MONEY OUT OF THE TREASURY AND THAT IS CERTAINLY INTRINSIC FRAUD IF IT IS ANYTHING.

I DON'T BELIEVE THE ACT OF STATE DOCTRINE PRECLUDES THE COURT FROM CONSIDERING THOSE ISSUES IN AS MUCH AS THE

PHILIPPINE GOVERNMENT AT THIS TIME IS CONSENTING TO THAT AND ACTUALLY REQUESTING THIS COURT TO VOID, IN EFFECT, THE ACT OF THE PRIOR ADMINISTRATION.

AND I DON'T THINK THAT ANYTHING THAT HAS OCCURRED BETWEEN THAT GOVERNMENT AND THE UNITED STATES GOVERNMENT WOULD PRECLUDE THIS COURT FROM ENTERING INTO THAT INQUIRY.

BUT AT THIS POINT THERE IS NOTHING BEFORE THE COURT THAT WILL PERMIT THE COURT TO ENTER INTO THAT INQUIRY BECAUSE YOU HAVE WITHDRAWN YOUR REQUEST FOR RELIEF IN CONNECTION WITH THE MOTION TO SET ASIDE THE JUDGMENT BASED UPON THE FRAUDULENT STIPULATION.

NOW, I UNDERSTAND THAT YOU FELT YOU DIDN'T HAVE SUFFICIENT TIME TO GO FORWARD AND THAT THAT IS THE BASIC REASON THAT YOU WITHDRAW YOUR MOTION. THERE WAS NO REQUEST FOR A CONTINUANCE MADE OF THIS COURT.

THERE WAS NO EFFORT TO EXTEND THE TIME FOR THE CONCLUSION OF DISCOVERY.

AT THE TIME THAT THIS MATTER WAS ORIGINALLY SET FOR HEARING THIS MORNING WE TOLD YOU THAT THAT WAS ESSENTIALLY A DATE THAT WE HOPED DISCOVERY COULD BE COMPLETED BY AND WE SET IT ON A DISCOVERY SCHEDULE. WHEN YOU WERE UNABLE TO MEET THAT DISCOVERY SCHEDULE THERE WAS NO FURTHER REQUEST MADE OF THIS COURT.

THERE WERE PLENTY OF REQUESTS AND THERE WERE STATEMENTS AS TO WHY YOU COULDN'T MEET IT BUT NO REQUEST WAS MADE.

AND THE COURT WAS WAITING FOR THAT REQUEST AND NONE WAS MADE.

NOW, AT THIS POINT IN TIME, THEREFORE, IT'S MY INTENT TO GRANT THE WRIT OF EXECUTION. THERE IS NO LEGAL BASIS FOR NOT PERMITTING IT TO ISSUE.

ALL OF THE CONDITIONS PRECEDENT HAVE OCCURRED.

AND THERE IS NO JURISDICTIONAL BASIS

WHICH YOU HAVE ASSERTED IN YOUR PAPERS, ANY OF THE EVIDENCE THAT YOU PRESENTED THAT WOULD PERMIT THE COURT TO NOT DO THAT.

SO I'M GOING TO GRANT THAT WRIT.

NOW, THE THING I'M CONCERNED ABOUT IS YOUR APPLICATION FOR RELIEF BECAUSE YOU MAKE A SUBSTANTIAL ARGUMENT THAT OUGHT TO BE LITIGATED.

AND YOUR ADVICE TO THE COURT YOU DID NOT INTEND TO PROCEED WITH THIS MOTION THIS MORNING AND THAT YOU WISHED IT TO GO OFF CALENDAR IS A REQUEST TO THE COURT THAT THE COURT CAN GRANT OR DENY.

I DON'T INTEND TO PERMIT IT TO GO OFF CALENDAR.

I INTEND TO SET THIS MATTER FOR HEARING ON YOUR MOTION AND I'M GOING TO REQUIRE YOU TO GO FORWARD OR SHOW GOOD CAUSE WHY YOU SHOULD NOT GO FORWARD.

I AM GOING TO SET THIS MATTER FOR HEARING, THEREFORE. I AM GOING TO SET IT

IN SEPTEMBER.

AND I NEED A DATE IN SEPTEMBER.

A THURSDAY -- LAST TWO WEEKS OF SEPTEMBER.

THE CLERK: SEPTEMBER 10 OR 25TH --

THE COURT: SEPTEMBER 25, 1986, 9:00 A.M. FOR HEARING ON THE MOTION TO VACATE THE JUDGMENT.

IN THE MEANTIME THE WRIT ISSUES.

I EXPECT COUNSEL IF YOU DON'T WISH TO PROCEED WITH THIS MOTION AT THAT TIME TO ADVISE THE COURT WELL IN ADVANCE OF THAT TIME.

ALL PARTIES MAY ENGAGE IN DISCOVERY IN CONNECTION WITH THAT MOTION.

ALL RIGHT. THAT'S THE ORDER.

MS. SHERRY: YOUR HONOR, MAY I SAY SOMETHING WITH RESPECT TO THE REQUEST FOR EXTENSION OF TIME?

THE COURT: YES.

MS. SHERRY: I WOULD REFER YOUR HONOR TO OUR JUNE 6 CERTIFICATE OF COUNSEL

THAT WAS FILED IN CONNECTION WITH THE REQUEST TO TAKE OUR MOTION OFF CALENDAR WHICH SETS FORTH IN SOME DETAIL PRECISELY WHAT OUR EFFORTS WERE IN CONNECTION -- IF I MIGHT JUST ADD ONE OTHER THING.

MR. GOODWIN AND I WENT TO YOUR HONOR ON THE AFTERNOON OF JUNE 4TH, A WEDNESDAY, WITH DECLARATIONS ASKING YOUR HONOR TO CONSIDER THE PROBLEM WITH RESPECT TO THE DELAYS AND TELLING YOUR HONOR WE COULD NOT COMPLETE DISCOVERY WITHIN THE TIME PERIOD ALLOWED AS -- AS YOUR HONOR ACKNOWLEDGED.

AT THAT TIME YOUR HONOR DECLINED TO TAKE OUR DECLARATIONS AND TOLD US YOU WOULD NOT CONSIDER ANY REQUEST FOR EXTENSION OF TIME UNTIL AFTER -- UNTIL AFTER SUCH TIME AS YOU MADE A RULING ON THIS MOTION.

THE COURT: ON THE 9TH.

MS. SHERRY: ON THE 9TH. THAT'S RIGHT.

AND YOU SAID YOU WOULD NOT CONSIDER

ANY REQUEST UNTIL AFTER YOU MADE THE RULING ON THE JUNE 9TH MOTION.

MR. FINLEY THEN SPECIFICALLY ASKED THAT ANY DECISION WITH RESPECT TO EXTENSION OF TIME BE DEFERRED UNTIL THE TENTH AND YOU ORDERED WE WERE TO GIVE YOU A DATE CERTAIN ON THAT AFTERNOON FOR TWO DEPOSITIONS TO GO FORWARD THE NEXT DAY AT 5:00 P.M.

WE WERE UNABLE TO GIVE YOU AT THAT TIME A CERTAIN CONFIRMATION OF THAT AND WE TOLD MR. FINLEY THAT THERE WAS NO WAY THAT WE COULD PROCEED WITH DISCOVERY ON THE SCHEDULE THAT WAS REQUESTED.

SO WHAT WE DID IN TERMS OF THE JUNE 6TH CERTIFICATE OF COUNSEL IN TAKING THE MOTION OFF CALENDAR WAS NECESSITATED BY THE FACT WE COULD NOT GET A CONTINUANCE IN ADVANCE --

THE COURT: THAT WAS A CONCLUSION YOU REACHED, COUNSEL.

AND I DON'T THINK IT WAS WARRANTED BY

THE EVIDENCE AND WHAT HAD HAPPENED.

THERE IS NO QUESTION YOU HAD DISCOVERY PROBLEMS. BOTH PARTIES DID. BOTH PARTIES WERE UNABLE TO COMPLETE THEIR DISCOVERY.

BUT RATHER THAN WAITING UNTIL AFTER THE HEARING ON THE 9TH YOU TOOK THE MATTER -- OR TRIED TO TAKE THE MATTER OFF CALENDAR IN ADVANCE OF THAT DATE.

BE THAT AS IT MAY THE MATTER IS SET.

MS. SHERRY: THANK YOU.

MR. GOODWIN: THANK YOU, YOUR HONOR. IF --

MR. FINLEY: THANK YOU, YOUR HONOR.

MR. GOODWIN: COULD YOU DELAY THE ISSUANCE OF THE WRIT ITSELF UNTIL FRIDAY SO WE MAY CONTACT OUR CLIENTS IN THE PHILIPPINES ABOUT POSSIBLY POSTING A BOND? COULD YOU DO THAT?

THE COURT: I THINK THAT'S A REASONABLE REQUEST.

MR. GOODWIN: THANK YOU, YOUR HONOR.

THE COURT: THAT WOULD SATISFY, I'M

SURE, THE JUDGMENT CREDITOR.

MS. SHERRY: THANK YOU, YOUR HONOR.

MR. GOODWIN: THANK YOU.

STATE OF CALIFORNIA)

)

COUNTY OF SANTA CLARA)

I, HEATHER J. GORLEY, A CERTIFIED SHORTHAND REPORTER, IN AND FOR THE STATE OF CALIFORNIA, COUNTY OF SANTA CLARA, DO HEREBY CERTIFY:

THAT THE FOREGOING PAGES CONTAIN A TRUE, FULL AND CORRECT TRANSCRIPT OF THE PROCEEDINGS GIVEN AND HAD IN THE WITHIN-ENTITLED MATTER THAT WAS REPORTED BY ME AT THE TIME AND PLACE MENTIONED AND THEREAFTER TRANSCRIBED UNDER MY DIRECTION INTO TYPEWRITING AND THAT THE SAME IS A CORRECT TRANSCRIPT OF THE PROCEEDINGS.

DATED THIS 23RD DAY OF JUNE, 1986.

HEATHER J. GORLEY, CSR #5057

COURT OF APPEAL OF THE STATE OF CALIFORNIA

In and for the

SIXTH APPELLATE DISTRICT

VICENTE B. CHUIDIAN,	)	NO. H002215
	)	
Petitioner,	)	Superior Court #575867
	)	
-vs-	)	
	)	
SANTA CLARA COUNTY SUPERIOR COURT,	)	
	)	
	)	
Respondent.	)	
	)	
PHILIPPINE EXPORT & FOREIGN LOAN, ETC.,	)	
	)	
Real Party in Interest.	)	

BY THE COURT

To permit further consideration of the issues raised by the petition for writ of mandate and/or prohibition, all further proceedings in Santa Clara County Suerpior Court action number 575867, Philippine Export and Foreign Loan Guarantee Corporation v. Chuidian, et al., are

stayed until further order of this court.

The parties are notified that should it ultimately conclude that affirmative relief should be granted, this court will consider issuing a peremptory writ in the first instance. (See Palma v. U.S. Industrial Fasteners, Inc. (1982) 36 Cal.3d 171, 177-183.)

The court asks that real party in interest serve and file, on or before August 25, 1986, points and authorities in opposition.

(Agliano, P.J., Brauer, J., and Bonney, J. (assigned) participated in this decision.)

Dated: August 12, 1986 AGLIANO, P.J.

COURT OF APPEAL OF THE STATE OF CALIFORNIA

In and for the

SIXTH APPELLATE DISTRICT

VICENTE B. CHUIDIAN, Petitioner, -vs- SANTA CLARA COUNTY SUPERIOR COURT, Respondent. PHILIPPINE EXPORT & FOREIGN LOAN, Real Party in Interest.	)	NO. H002215 Superior Court #575867

BY THE COURT

The petition for writ of certiorari is denied.

(Agliano, P.J., Brauer, J., and Bonney, J. (assigned) participated in this decision.)

Dated: September 19, 1986.
(Filed: September 19, 1986)

AGLIANO, P.J.

COURT OF APPEAL OF THE STATE OF CALIFORNIA

In and for the

SIXTH APPELLATE DISTRICT

VICENTE B. CHUIDIAN,	)	NO. H002215
	)	
Petitioner,	)	Superior
	)	Court #575868
-vs-	)	
	)	
SANTA CLARA COUNTY SUPERIOR COURT,	)	
	)	
Respondent.	)	
	)	
PHILIPPINE EXPORT & FOREIGN LOAN, ETC.,	)	
	)	
Real Party in Interest.	)	

BY THE COURT

The petition for writ of mandate and/or prohibition is denied. The stay previously issued by this court is hereby dissolved.

(Agliano, P.J., Brauer, J., and Bonney, J. (assigned) participated in this decision.)

Dated: September 18, 1986.
(Filed: September 18, 1986)

AGLIANO, P.J.

ORDER DENYING REVIEW

AFTER JUDGMENT BY THE COURT OF APPEAL

6th District, No. H002215

IN THE SUPREME COURT OF
THE STATE OF CALIFORNIA

IN BANK

CHUIDIAN, Petitioner

v.

SUPERIOR COURT OF THE COUNTY OF SANTA CLARA, Respondent;
PHILIPPINE EXPERT & FOREIGN LOAN, ETC.
Real Party in Interest

Petition for review DENIED.

(Filed: November 12, 1986)

BIRD
Chief Justice

OFFICE OF THE CLERK
COURT OF APPEAL
STATE OF CALIFORNIA
SIXTH APPELLATE DISTRICT
RICHARD J. EYMAN,CLERK

August 13, 1986

Mr. Joseph Russoniello
United States Attorney
Northern District of California
450 Golden Gate Avenue
San Francisco, CA 94102

Re: H002215, Vicente B. Chuidian
v. Superior Court Philippine
Export and Foreign Loan Guarantee
Corp., Real Party in Interest

Dear Mr. Russoniello:

In the above-captioned matter, the petitioner, Mr. Chuidian, was the defendant in an action by the Real Party in Interest, the Philippine Export and Foreign Loan Guarantee Corp. (PEFLGC) to recover loan proceeds that Mr. Chuidian had allegedly misused. The action appeared to end in a negotiated settlement and entry of a stipulated judgment. However, PEFLGC later moved to vacate the judgment and void the settlement agreement on grunds of fraud that allegedly involved, among others, ex-president Marcos.

In the instant matter, Mr. Chuidian seeks a writ to prohibit further proceedings on the motion to vacate, including the depositions of various persons in the Philippines concerning the alleged fraud. Mr. Chuidian claims that

the proceedings are precluded by the Acts of State doctrine, which as a general rule, prohibits inquiry into the acts of foreign states. (See Underhill v. Hernandez (1897) 168 U.S. 250; Banco Nacional de Cuba v. Sabbatino Corp. (1964) 376 U.S. 398; Clayco Petroleum Corp. v. Occidental Petroleum Corp (9th cir. 1983) 712 F.2d 404.) Explaining the doctrine, the Second Cirsuit stated, "If adjudication would embarrass or hinder the executive in the realm of foreign relations, the court should refrain from inquiring into the validity of the foreign state's act." (Allied Bank Int'l v. Banco Credito Agricola (2nd Cir. 1985) 757 F.2d 516, 521.) And recently, in New York Land Co. v. Republic of Philippines (S.D.N.Y. 1986) 634 F.Supp. 279, 289, the court quoted this language and declined to apply the doctrine because, among other things, it had received no indication from the Department of State that the proceedings would hinder the conduct of foreign policy.

To aid its determination as to the present applicability of the doctrine, the court requests the United States government's position conerning the effect, if any, that inquiry into the circumstances surrounding the Chuidian-PEFLGC settlement agreement and stipulated judgment may have on its foreign relations and ability to conduct its foreign policy. Copies of Mr. Chuidian's petition and PEFLGC'c opposition to a stay are enclosed for you [sic] information and convenience.

At this time further proceedings on PEFLGC's motion to vacate, including discovery, are stayed, and opposition from

PEFLGC on the merits of the writ petition is due August 25, 1986. To expedite this matter, the court requests that you submit your response by that date or notify it as soon as possible if you plan but are unable to submit a response by August 25.

The court appreciates your prompt attention to this matter.

Very truly yours,

RICHARD J. EYMAN,
Clerk of the Court

RJE/lac
cc: James P. Kleinberg, Esq.
Jeffrey Parish, Esq.
Honorable Jack Komar

Enclosures